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SIPDIS

SENSITIVE BUT UNCLASSIFIED
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FCC WASHDC FOR PBOATENG, DEPT FOR EB/CIB TCARNEGIE

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TAGS: [ECON](#) [ECPS](#) [SF](#)

SUBJECT: SOUTH AFRICA GOVERNMENT AND REGULATOR WEIGH IN ON
UNDERSEA TELECOM CABLE

REF: 06 PRETORIA 02711

¶1. (SBU) Summary. The South African Department of Communications (DOC) and the New Partnership for South Africa's Development (NEPAD) may build an undersea telecommunications cable to replicate the planned East Africa Submarine System (EASSy) cable. A decision by the CEO of monopoly telecom operator Telkom to invest in the EASSy cable, in opposition to the government's position, is believed to have led to his resignation. South Africa telecom regulator, Independent Communications Authority of South Africa (ICASA), is considering declaring the planned undersea cables and the existing SAT-3 cable as essential facilities and therefore subject to ICASA price regulation. End Summary.

¶2. (SBU) South Africa DOC Director-General Lyndall Shope-Mafole confirmed April 3 that DOC, together with NEPAD, may lead an effort to build an undersea telecommunications cable to rival the planned R300 million (\$43 million) EASSy cable according to press reports. (Note. The EASSy consortium is comprised of private investors who want to build an undersea telecommunications cable with terrestrial landing points in countries along Africa's east coast to help meet high bandwidth demand. End Note.) Shope-Mafole claims that EASSy consortium investors are more interested in profits than providing affordable bandwidth and is looking for investors in the competing cable which has been dubbed the NEPAD Network. The competing system would combine an undersea cable with a terrestrial network to cover landlocked countries.

¶3. (SBU) NEPAD's e-Africa Commission Executive Deputy Chairperson Henry Chasia told ICT officer in December 2006 that it was conducting feasibility studies to build two terrestrial loops to connect with an undersea east-coast cable that would feature connection points for countries not currently participating in the NEPAD initiative, most notably Kenya. South Africa and NEPAD want pricing for the undersea cable to be set so that users will pay the same price for bandwidth access as the companies that invested in the infrastructure.

¶4. (SBU) NEPAD's pricing scheme would prevent cable investors from charging exorbitant rates for bandwidth access like those charged by SA parastatal telecom monopoly Telkom for use of its west coast SAT-3 cable. Telkom CEO Papi Molotsane signed an agreement to invest in the EASSy cable, saying his company wants to make a decent return. President Mbeki, in an interview with the Financial Times, said that Telkom was "profiteering" from charges on the SAT-3 cable that are "absolutely phenomenal". Industry analysts claim that

Molotsane's signature on the EASSy cable deal and his opposition to the government's position on pricing led to his unexpected resignation on April 5.

15. (SBU) ICASA Councilor Tracy Cohen told ICT officer April 19 that the regulator is considering declaring both the SAT-3 and future undersea cables as essential facilities. This would place pricing of the cables under ICASA regulation. Cohen said the council expects to release a document for public comment on the topic of cable regulation within the next four months.

16. (SBU) Comment. ICASA's ability to deal with undersea cable regulation and other matters has improved slightly because its council is now fully staffed. The regulator had struggled since last year to implement a new Electronic Communications Act with half of its council positions vacant. (See reftel for additional background). End Comment.
BOST